



Dear Borrower:

Several months ago, you began making voluntary payments in order to rehabilitate your defaulted student loan. Unfortunately, in recent months, the lender to whom we had planned to sell your loan has terminated its agreement with the Department of Education and we do not currently have a lender willing to purchase your loan through the rehabilitation program. The Department of Education is offering you the alternative of consolidating your defaulted loan(s) in to the Direct Loan Program, which is run by the Department of Education. If you agree to consolidation, the Department of Education will extend to you the two key benefits of rehabilitation:

- We will advise credit bureaus to delete any information reported by the Department of Education regarding the defaulted student loan(s) consolidated
- No collection costs will be included in the consolidation payoff amount; your new consolidation loan balance will be the principal and interest owed on your defaulted loans at the time the Department consolidates your loans in to the Direct Loan Program

By agreeing to consolidation, you should be aware that:

- Whereas your defaulted loans may have a variable interest rate (one that changes every year), your new consolidation loan will have a fixed interest rate
- The interest rate on your new consolidation loan may be as much as .125% (one-eighth of one percent) higher than the average interest rate of your defaulted student loans; however, if you agree to making payments on your new consolidation loan by automatic deductions from your bank account, you may earn a .25% (one-quarter of one percent) reduction in your interest rate

If you choose to **not** consolidate, you can continue making monthly payments toward your defaulted loan until the Department finds a lender willing to purchase your loan through the rehabilitation program. At this point, the Department does not have an estimate on how long that will take, and the Department does not guarantee that it will ever find a lender for you. The Department will continue to incur, and will charge, collection costs equal to 24% of your principal and interest balance on these monthly payments until such sale is accomplished.

Sincerely,

A handwritten signature in dark ink, reading "Dwight A. Vigna", is positioned below the "Sincerely," text.

Dwight A. Vigna
Director, Default Resolution Group
US Department of Education
Federal Student Aid

830 First St. N.E., Washington, DC 20202
www.FederalStudentAid.ed.gov
1-800-4-FED-AID